



Agenzia Europea di Investimenti Standard Ethics
Groupement Européen d'Intérêt Economique

Following the invitation by the UN Secretary-General Kofi Annan, in 2002 AEI SpA joined the CSR initiative known as Global Compact.

In 2004, to continue having relations with the UN, **AEI Standard Ethics** took over the membership of AEI SpA.

Today AEI renew its commitment with Global Compact principles convinced that businesses engagement is the only way to create sustainable change industrywide.

AEI is committed with the sustainable principles everyday trough its mission: spreading CSR principles and sustainable business in the economic context.

In 2004 AEI took a voluntary research initiative involving OECD (LEED Programme), Confindustria, ILO, ETUC and CGIL, CISL, UIL.

In 2005 AEI will start a project aiming at developing a common document (or guidelines) in order to elaborate an operations manual which would be used as benchmark in the evaluation of Corporate Social responsibility, according to the principles expressed by UN, OECD, EU.

Jacopo Schettini Gavazzoli
President and CEO



AEI for GLOBAL COMPACT 2005 Project

1. Background

Despite the fact that there is an increasing public interest in social and environmental impact, ethical standards, Social Responsible Investments (SRI) and Corporate Social Responsibility (CSR), CSR concept is still not sufficiently enough taken up by enterprises -specially SMEs¹- and, more important, CSR lacks (and needs) common methodologies and terminologies that can be used by financial experts (i.e. European Commission's Green Paper published on 2001² or the European Commission's Communication on Corporate Social Responsibility - 347 - published on 2002).³

Looking at recent literature, stakeholders involved in the CSR agreed on the fact that there are universal values irrespective of the cultural differentiations. These are recognised by the United Nations (UN), in the Universal Declaration on Human Rights, or concerning business issues are recognised by the Organisation for Economic Co-operation and Development (OECD), in documents like OECD's Principle of Corporate Governance, and even concerning the European Union, like the indications of the Commission's Green Paper of Promoting a European Framework for Corporate Social Responsibility.

However, experience shows that organisations involved in CSR and SRI normally create their own methodologies and terminologies. In other words it is the "market" that tries to define for itself what should be an ethical behavior and what should not. This often leads to different policies. As an example, Ethibel, which is a Belgium advisory and research organisation for SRI and CSR, provides an evaluation scheme⁴ taking a market approach and not benchmarking i.e. the EU legislation. The German company Imug provides with its own scientific methods indicators⁵ mainly focussing on social and ecological responsibility. Also here the approach is oriented to the commercial market.

¹ Outcomes of important surveys - i.e. the ENSR survey of 2001 by DG enterprise - concluded that over 50% of the European SMEs indicated that they are not familiar with Corporate Social Responsibility standards and do not recognize business benefits in it.

² "Green Paper. Promoting a European Framework for Corporate Social Responsibility". 18/07/2001, COMM (2001) 366 def.

³ "Corporate Social Responsibility: A business contribution to Sustainable Development, 02/07/2002, COMM 347 def. Communication from the Commission 05/07/2002

⁴ http://www.ethibel.org/subs_e/2_label/sub2_2.html



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As concerned for the Ethic committee of “Banca Ethica”⁶ - an Italian bank strongly involved in CSR- it states that it is not ethic to invest in banks, insurances and companies involved in oil markets, even if there are no indications at all from any institutional organization like OECD, UN European Union that this kind of business is not sustainable or ethically viable.

On the opposite, we see Assogestioni⁷ the Italian Asset Management association, who prefer not to give clear indications about principles and limits to be followed by Social Responsible Investment Fund.

The Italian Ministry of Labour and Social Affairs. started focusing on CSR issues three years ago. in the framework of the Italian EU Presidency the Ministry organised the third European Conference on CSR In Venice in November 2003, where it presented a study on CSR⁸. The document, based on market experience, provides a list of CSR’s indicators⁹. However, unlike the EU legislation or OECD indications, it does not consider corporate governance or fair competition as CSR issues.

Finally, one can mention the Dow Jones Sustainability Index, an index of major listed companies to be used as a benchmark from Social Responsible Fund, which was created in cooperation with an independent asset management company called SAM¹⁰. The Dow Jones Sustainability Index identifies three big dimensions to evaluate CSR, such as:

- Economic dimension ;
- Environmental dimension ;
- Social dimension;

The Economic dimension weights 24% of the final judgment; the environmental one weights 21%; the social dimension 25%. Corporate Governance, even if its one o the most stressed point of CSR issue (the equitable treatment of shareholders, the role of stakeholders; disclosure and transparency), is weighted only 16% of the economic dimension, which means just 3,8% of the total!

⁵ <http://www.ethisches-investment.de/>

⁶ <http://www.eticare.it>

⁷ <http://www.assogestioni.it/>

⁸ Ministry of Labour and Social Affairs. *The Italian contribution to CSR promoting campaign developed at European level*

⁹ *The Italian contribution to CSR promoting campaign developed at European level CSR-SC (page 29-31”List of indicators”)*

¹⁰ www.sam-group.com



On this background, it seems fair to affirm that -on the whole- the current widespread self-regulatory market approach has lead to an in-transparent situation: there is no common ground on CSR, and therefore it is very difficult for companies to adapt to a CSR methodology.

The European Commission has recognized the issue and has stressed the need for a common approach¹¹. In addition, it also recognizes the importance of the activities of the OECD in the field of Corporate Governance.

For this reason the European Commission invests -via the organization of the EU Multi-Stakeholder Forum on CSR¹²- in creating a common terminology on CSR.

The AEI classification

In the light of international institutional guidelines by the UN, the OECD and the EU, AEI Standard Ethics has developed an evaluative model to analyse the documents from the above mentioned *sources*. These documents are then vertically classified on the basis of the weighting assigned by the organisations themselves. They are also horizontally classified according to three macro- areas:

1. exercise of ownership

- a. towards third parties
- b. within the company

2. exercise of management

- a. towards third parties
- b. within the company

3. exercise of competition

This is a fairly recent classification which replaced the previous one of July 2004. The classification was the outcome of a meeting coordinated by AEI Standard Ethics and attended by representatives of **CGIL, CISL, UIL, Confindustria, European social partners and International Organisations**. By adopting this model, AEI aims at testing any adjustment in the field and drawing up a relevant report.

In 2004 the project took the form of a researching activity and involved the following organizations:

- *Sergio Arzeni - Head Leed programme - OECD;*
- *Pier Paolo Baretta - Confederal Secretary CISL;*
- *Walter Cerfeda - Confederal Secretary ETUC;*
- *Francesco Delzio - General Secretariat, Young entrepreneurs Confindustria;*
- *Laura Iucci (ILO and Global Compact);*
- *Marigia Maulucci – Confederal Secretary CGIL;*

¹¹ COM (2003) 284 final

¹² www.eurosif.info



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- *Lamberto Santini – Confederal Secretary UIL;*
- *Giuseppe Schlitzer – Director Confindustria Research Center;*
- *Jacopo Gavazzoli Schettini, Christina Popper e Pier Luigi Fratini (AEI);*
- *Marco Ricceri e Pietro Merli Brandini (Ethic Committee AEI);*

Researcher

- *Paola Babos (OECD)*
- *Arturo Caione (Confindustria)*
- *Filippo Cecchi (AEI)*
- *Ornella Cilona (CGIL)*

- *Wanda Cornacchia (Confindustria)*
- *Giusy Chiovato Rambaldo (EU)*
- *Manuela di Filippo (CISL)*
- *Beatrice Gerini (AEI)*
- *Maria Sacchettoni (UIL)*

2. Objectives of AEI for GLOBAL COMPACT 2005 Project

According to AEI, other innovative approaches should be explored to provide a new way to define ethical criteria via an “institutional” approach in stead of via a “market driven” methodology.

On this background the **overall objective** of the project is to create a common terminology, methodology and indicators based on an innovative “institutional” approach, by benchmarking the existing (and not controversial) EU, OECD, UN indications/principles on CSR or business ethics, so as to increase transparency and effectiveness of CSR instruments.

As for the **specific objectives** identified by the project, these are:

Strengthen the access to a common methodology on CSR through a single guideline on the basis of EU, OECD¹³ and UN principles/indicators¹⁴;

Increase the number of businesses respecting CSR through awareness and exchange of good practices and, in parallel.

¹³ the LEED program's initiatives; the OECD Guidelines for Multinational Enterprises; OECD Principles of Corporate Governance

¹⁴ considering also legislative developments in the field of competition like document as the “the United Nations set of principles and rules on competition” or model on competition - Draft elements and commentaries for articles of a model law or laws on competition” United Nations conference on trade and development United Nations Geneva 2002



3. Projects Actions

Step I: Creation of a Steering Group

a) Purpose of the Steering Group

The purpose of the Steering Group is to provide a clear framework for the recommendations which have been issued by the UN, the OECD and the EU, separately but consistently, on Social Responsibility and Corporate Ethics.

b) General principles of practices and levels of intervention

The Steering Group is neither a forum for the discussion of its own ethical views nor a platform for the review of the different initiatives relating to CSR or a multi-stakeholder body for the comparison of the relative needs and interests of the participants. It shall

functions exclusively on a technical-scientific basis in order to supply concrete and practical recommendations for the implementation of the established principles as being of importance in the field of corporate ethics by the afore-mentioned organisations.

The final document will be of general scope so that it may be adapted to particular circumstances in Europe at a national and regional level. At national level, Italy, and more specifically, the Region of Tuscany, has been identified as the first potential testing ground with special reference to the small and medium-sized business and industrial districts.

c) Members of the Steering Group

In view of the type of work (analysis, synthesis, applicability), the scale of the project and the obvious interconnections, the group ought to comprise representatives from the business world and from the trade unions (at European, national and regional levels).

Other parties will provide for an input in various ways in order to ensure the harmonisation of content at national and regional level and to ensure its compliance with international principles.

The Steering Group shall have the technical and scientific support of the OECD, the collaboration of the United Nations and the co-ordination of AEI Standard Ethics.

In particular the Steering Group will be composed as following:

Phase 1 – Local Level: AEI, Confindustria (Italian Association of entrepreneurs), CGIL, CISL, UIL (Italian trade unions);

Phase 2 – European Level: Italian Welfare Ministry, ETUC (European Trade Unions Confederation);

Phase 3 – International Level: European Union, OECD, United Nations.

The networking language shall be Italian. The official documents shall be written in English and translated into the languages of the European Union.



Step II: Testing the contents

The second step of the project provide for a testing activity of the final document. In particular a rating activity will be organised.

The objective of the rating is to benchmark various stakeholders' business ethics with the use of the unified principles. Moreover this activity will subsequently have as objective to verify the functioning of the common terminology or methodology.

In order to show to stakeholders the credibility and transparency of the projects activities AEI will provide for an independent analysis of the involved entrepreneurs. In order to reach this objective AEI which is the co-ordinating organization will elect stakeholders interested to participate in the rating Committee i.e. Confindustria European associations, Stock-exchanges, trade unions. The organisations contribute though participation in the independent rating Committee or by providing technical assistance. Additionally ratings will be on a free basis and no financial contribution is accepted.

Step III: Dissemination

The third phase will be dedicated to the dissemination of the final document.

On a more practical level, the guideline will be available via AEI and partners websites and made available on CD-ROM so to diffuse and trigger the effect of publication and greater awareness among stakeholders on CSR, since the guideline provides a guidance to adapt in more ethical business behaviour.

TIME SCHEDULING

	June 05	July 05	Aug 05	Sept 05	Oct 05	Nov 05	Dec.05	Jan 06	Feb. 06	March 06	Apr 06	May 06	June 06
1 STEP													
2 STEP													
3 STEP													